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## THE CHARTER TAX OF THE ILLINOIS CENTRAL RAILROAD.

THE first grant of public lands to aid in constructing a railroad was made by Congress to the State of Illinois, September 20, 1850.<sup>1</sup> The grant was of alternate sections, six sections wide, and a right of way not to exceed 100 feet on either side of a road to extend from a "point at or near the junction of the Ohio and Mississippi Rivers, Cairo, with a branch of the same to Chicago and another *via* the town of Galena to Dubuque in the state of Iowa." The lands were donated by the state of Illinois to the Illinois Central Railroad Company, February 10, 1851, the state reserving the right to 7 per cent. of the road's gross receipts. In his annual report to the directors of the road in 1856, Land Commissioner Wilson declared this land grant to have been a three-sided bargain.<sup>2</sup>

The gain to the United States has been the speedy sale at \$2.50—\$6.00 per acre of lands that otherwise would have remained on hand for a quarter of a century, then to be disposed of at 12½ cents per acre. The gain to Illinois is a largely increased population of industrious, intelligent and enterprising citizens, chiefly producers; a very heavy increase of taxable property; an immense acquisition of trade and capital; and 7 per cent. of the gross proceeds of the road, which will soon go far toward relieving the people from all taxes for state purposes. The gain to the Illinois Central Road is a valuable and productive road, constructed and equipped on a gigantic scale, at an expense of over 20 million dollars, with a reasonable certainty, however, that by a judicious disposal of these lands and town lots, the entire expense of construction will be refunded and the value and productiveness of the road be constantly increasing.

<sup>1</sup>*United States Statutes at Large*, vol. 9, p. 466. Similar grants were made in the same act to Mississippi and Alabama.

<sup>2</sup>*Annual Report to Stockholders of the Illinois Central Railroad*, p. 45.

We thus see that by 1856, the government had already realized its profits from the grant; the railroad was satisfied that it had done wisely in accepting the gift of nearly three million acres of land; the state of Illinois had obtained rapid and efficient transportation to the world's markets. Thus, before the 7 per cent. tax had begun to diminish the state debt, all three parties were satisfied with the results of the land grant. It is, therefore, not necessary here to justify the grant by reference to those incalculable gains to the state and the nation, due to the existence of this road—it would take volumes to show how forty odd years have demonstrated the wisdom of Congress and the state. It is our purpose here, to ascertain, if possible, the direct financial return to the state of Illinois as donor of 2,595,000 acres of land in distinction from its gains through the work done by the road.

This direct financial return consists of that portion of the 7 per cent. tax, which is in excess of the amount the railroad would have paid as interest upon the value of the lands, or as taxes. We wish to make this separation carefully, for it must be conceded that in general the people of the state, railroad authorities, and writers, treat the *total* tax received from the original Illinois Central Road, as compensation to the state for relinquishing the lands, forgetting, apparently, that some portions of these returns should be considered as an ordinary tax—the burden which the road must have borne, even if it had not received the 2,595,000 acres of land. We shall first review the history of this charter tax and then compare the absolute returns to the state from this tax with the returns it would have received, had the legislature in 1851 chosen a different method of securing compensation for the large land grant.

The act granting the lands to the state of Illinois contained no condition as to who should construct or own the road. Except that the state was prohibited from applying the lands to any other purpose, whatsoever,<sup>1</sup> than in building a road from Cairo to Galena and Chicago, the legislature was free to under-

<sup>1</sup>Act of September 20, 1850, § 2.

take the building of the road in behalf of the state or dispose of these lands upon such terms as the legislature chose.

Moreover, the legislature was not committed to any course of action by instructions from constituencies, or by past legislation. It is true, two years before the lands were given by the national legislature to the state of Illinois, the state legislature had promised them, or "all lands which might at any time be granted by Congress to the state, to aid in the construction of the Illinois Central Railroad," to the "president and directors of the Cairo City and Canal Company."<sup>1</sup> But as Senator Douglas gave notice that he would oppose the measure in Congress as long as this charter remained in force, the Cairo Company wisely relinquished its charter December 24, 1849—nine months before the grant was made to Illinois. So that at the time the legislature of Illinois was entrusted with these lands, any one of the methods which serve as the basis of our comparison might have been adopted.

The governor of Illinois indicates briefly in his message, January 1851, the policy which he would like adopted with regard to the government grant.<sup>2</sup>

It may be conjectured that the land granted will go far toward constructing the roads if they prove not quite sufficient, if managed in a proper way. If this be a correct estimate of their value, adequate inducements may be presented to capitalists to undertake them, besides reserving a resulting pecuniary benefit to the state. . . . It is not presumed that the state will engage in any form directly in the enterprise, and that whatever connection she may have with it, if any, will be in an indirect way.

Thus, he begins with the inference that the lands shall go to some private company, but reminds the legislators that the gift they are about to make is of such magnitude, that they can and ought to reserve to the state some "resulting pecuniary benefit." Furthermore, he states explicitly his disapproval of any scheme for state management of the enterprise. His reason for taking

<sup>1</sup> The celebrated "Holbrook Charter;" *Illinois House Journal*, 1849, p. 444.

<sup>2</sup> *Message; House Journal*, 1851, p. 21.

this firm stand is given in another connection in the same message.

Such undertakings usually succeed better when directed by the sagacity and enterprise of individuals than when left subject to the disturbing influences of legislative interference.<sup>1</sup>

The governor voiced in these words the sentiment of the legislators and people of the state—a sentiment arrived at through trying experiences. In 1851 the state had a debt of \$16,627,509.91, or \$19.56 per capita—a monument to ill-fated state undertakings. It was remembered that the state had worked twenty-two years upon a canal only one hundred miles long; that nearly half the great debt was the canal debt; that the state had squandered nearly four million dollars in constructing abandoned roadbeds; that twenty odd railroad projects and the grand scheme of internal improvements had come to little but debt and failure. For twenty years “state undertaking” in the South and West had proven synonymous with official dishonesty and “state embarrassment.” Banks, canals, roads, railroads—the state had but to undertake and delay, corruption or dismal failure resulted.

No completer and more suggestive comment can be made on the states’ experiments from the twenties to the fifties than the vote of the Illinois legislature which gave away 2.6 million acres of land by the almost unanimous ballot 95 to 4, rather than seek state prosperity through state management. Not one voice was raised during the session of the legislature in favor of state ownership, or if there was, the proceedings contain no record of it. That the action of the legislature expressed the will of the constituencies is undoubted, for such a vote would have been impossible had there been any strong opposition throughout the state, and secondly, the press of the time accepts the action as a matter of course, without opposition and without comment.<sup>1</sup>

<sup>1</sup> *Message; House Journal*, 1851, p. 45.

<sup>1</sup> The *Chicago Daily Journal* does not mention state control during the session. Old residents of the state say no one wished state control.

While the legislature doubtless read correctly the causes of past failures in

Neither the governor nor the legislators, however, were willing to part with so valuable a franchise and so large a grant of land without some concessions from the railroad company. It was believed that the presence of the railroad and its facilities would enhance property values, render the eastern and southern markets accessible, and bring manufacturing enterprise to agricultural Illinois. No one doubted that these gains would be much greater than the value of the lands, yet it was but just on the other hand, that the private corporation should render something in return for what was given it. Two years before, so eager was the state for the completion of such communication, and so depressed was capital, that the legislature gave away the prospective land-grant unqualifiedly. Now, however, times were brighter, capital more confident of the future of this western country and many projects were being undertaken with no view to state aid. In fact, during this same session of the legislature, nineteen railroad companies were incorporated. If eighteen companies could profitably construct railroads within the state without state help, then the state could surely exact some "pecuniary benefit to the state" from the company which was to receive lands sufficient to construct a road. Companies stood ready with offers; the only question was, in what form shall this compensation be rendered?

attempts to construct railroads in Illinois, it is unfortunate that we have not some other criterion of state ownership of railroads than the abortive attempts of a period when all enterprise was hazardous and speculative. Illinois, with a population of 850,000, rapidly increasing by immigration, with increasing need of transportation facilities and with revenues exceeding expenditures, might have proven a more competent organizer of a railroad enterprise than that same state thinly populated, with scanty revenues and little business to offer a road. The situation of the state, the fertility of the section this particular road was to open up, river and lake communication — all insured the success of the enterprise so munificently endowed by the national government, even had the management not been exceptionally good.

It is customary to declare that the state could not have secured the necessary capital. It is also customary to overlook the fact that the lands were being rapidly sold, population doubling every decade, and revenues increasing — facts sufficiently known at the time to have enhanced the value of Illinois loans nearly 50 per cent. in the three years 1848-1851. Whether the state could really have built this road and secured to itself the rich dividends its location has always enabled it to pay, must remain a study in "hypothetical history."

As this was the first grant of land to help build a railroad, the legislature found no exact precedent. Prevented by the constitution<sup>1</sup> from giving the "credit of the state to or in aid of any industrial association or corporation," and prevented by the terms of the congressional grant to the state from applying the lands to other purposes than the construction of this particular railroad, the legislature was practically compelled to choose compensation in the form of a tax. What should be the tax "object"? As the lands were to pass out of the hands of the Illinois Central Railroad Company, any tax based upon their value from time to time would have been impracticable. The value of the lands in 1851 might have served as a basis, and an annual payment required equivalent to current rates of interest, or the capitalization or the value of the roads might have served as the basis, its net receipts, its dividends, its gross earnings, or any combination of different bases, to be taxed according to the principles then applied by different states to railroads. That is to say, the legislature was not merely to choose between two equally simple and equally productive methods of taxing, but to select one among many methods dissimilar and of different productivity. Although a great problem for both railroad and state, it does not appear that the legislators seriously debated the alternatives, or that the railroad interested itself particularly in the matter. The road was wanted; the company was ready to build it; action was wiser than too close scrutiny; the constitution enjoined liberal terms; and fortunately or unfortunately the charter tax was fixed at 5 per cent. of the gross earnings of the road.

Just why this particular tax was chosen does not appear in the report of the committee on internal improvements, which suggested the gross-earnings tax. Other older and richer states were taxing railroads on general property, personalty and dividends, on capital and dividends, on market value of shares, etc.<sup>2</sup> Nowhere was the exact precedent for this tax to be found;

<sup>1</sup> Constitution of 1848, Art. III, § 38.

<sup>2</sup> New York, Pennsylvania up to 1840, Pennsylvania at 1850, Connecticut. See SELIGMAN, *Essays in Taxation*, p. 154 ff.

except for a passenger tax<sup>1</sup> paid by English roads the gross-earnings tax was known rather as "the most primitive of land taxes"<sup>2</sup> than as a practical corporations tax. Unscientific as it may be proven, its advantages were clear. It would be productive, "easily ascertained and not susceptible of evasion."<sup>3</sup> But the committee was seeking not scientific principles but large receipts, and so far as the proceedings reveal, this particular form of levying it was chosen because of its convenience and certainty.

The bill to incorporate the Illinois Central Railroad came to the senate from the committee on internal improvements, January 14, 1851, with a provision that the state should reserve the right to 7 per cent. of the gross earnings of the road in consideration of the government donation of lands. The bill was debated in committee of the whole every day at two o'clock from January 29 till February 6. The only record remaining of the proceedings of the committee is the ever recurring statement that the committee spent some time upon the bill. February 5, 5 per cent. was substituted for 7 per cent. by a vote of seventeen to eight.<sup>4</sup> The bill provided for a capital and loan tax equal to 2 per cent. of the gross earnings, thus making the total tax 7 per cent. of gross earnings, *with exemption from all other taxes*. The bill passed the senate February 6, 1851, by a vote of twenty-three to two,<sup>5</sup> and on the same day it passed the house by a vote of seventy-two to two. February 10 it became a law with the approval of the governor.

This tax became thenceforth closely identified with the state debt. It being set aside for the payment of the debt, the gradual liquidation was credited very largely to the tax. By 1869, it had amounted to \$4,050,000, and it averaged at that

<sup>1</sup>The old stage-coach tax of  $\frac{1}{2}$  d. four persons, one mile. JEANS, *Railway Problems*, p. 164.

<sup>2</sup>SELIGMAN, *Essays in Taxation*, p. 196.

<sup>3</sup>*Ibid.*

<sup>4</sup>*Senate Journal*, p. 209.—This is the one occasion when the *Chicago Evening Journal* comments upon the railroad question that the incorporators would not accept the incorporating charter if the tax was not reduced.

<sup>5</sup>*Senate Journal*, p. 215.



date \$500,000 yearly. In ten years this tax alone, if unchanged, would extinguish the balance of the state debt. So important was this consideration that the tax was looked upon as belonging to the inalienable rights of the people of the commonwealth, and deserving the safeguards offered by incorporation in the organic law of the state. So one of the first resolutions offered in the constitutional convention of 1869 was one to "consider the propriety of reporting a section in the constitution restraining the legislature from releasing, assigning, transferring, or in any way disposing of the 7 per cent. tax paid by the Illinois Central."<sup>1</sup> Several similar resolutions were introduced by members from different parts of the state. No opposition was made to the rate of taxation, and that it should be a part of the constitution was universally agreed. The only exception taken was by Goodel, of Ford county, who advocated distribution of the proceeds of the tax among the counties where the lands were located. He received no support, however, and after a brief discussion, the following amendment was adopted.<sup>2</sup>

No contract, obligation or liability of the Illinois Central Railroad Company to pay any money into the state treasury, nor any lien of the state upon, or right to tax property of said company in accordance with the provisions of the charter of said company approved February 10, in the year of our Lord, 1851, shall ever be released, suspended, modified, altered, remitted, or in any way diminished or impaired by legislative or other authority; and all moneys derived from said company, after the payment of the state debt, shall be appropriated and set apart for the payment of the ordinary expenses of the state government, and for no other purposes whatever.

In this way the state has insured itself against false valuations and assessments, inspired legislation, and the consequences of unwise distribution of earnings, and has guaranteed to itself a tax proportionate to the expanding volume of traffic which it may give to the original Illinois Central Road; at the same time placing itself in a position to profit from any extensions of the

<sup>1</sup> UNDERWOOD, 5th Dist., *Proceedings*, p. 78.

<sup>2</sup> See *Constitution*, Special Section.

Illinois Central which may ultimately bring more traffic over the main line.

So much for the legislative history of the 7 per cent. charter tax. Let us now examine the absolute returns of the tax to the state and then, in the first place compare these returns with those which the state might properly have realized (1) from an interest payment on the value of the lands; (2) from an interest charge plus ordinary tax rates; (3) from a "shares" tax. In the second place we may compare the present returns from this tax with the returns realized by other methods of taxation; (1) from its branches and leased lines in Illinois; (2) from its entire line; (3) from Illinois railroads exclusive of the Illinois Central; (4) from the roads of certain representative states of the central, eastern, and western sections.

From March 24, 1855 to October 31, 1869, the road had returned to the state as charter tax \$4,050,941.45 or nearly one fourth of the great debt of 1851. Up to October 31, 1897 the state had received as charter tax \$16,665,798.80, or \$38,288.89 more than the state's indebtedness of 1851. The average receipts for the past seven years have been about \$615,000, the largest payment being that of 1893 — \$753,067.24. There is no reason to expect the business done by this road to decrease. The state is, therefore, practically assured of an annual income from the Illinois Central representing interest in the road, if capitalized at 4 per cent., from 15.4 to 20 million dollars. Satisfactory as these figures appear, it will be of interest to compare them with the returns to the state, presuming that the state in 1851 had chosen to exact an interest payment in the value of the lands granted, or such an interest charge combined with the power to tax or to overlook the relation of donor and donee and subject to general tax laws.

What would an interest charge have yielded? In determining the principal represented by the lands we must take account of the actual value of the lands in 1851. The values which the railroad company was to receive for the lands were not foreseen, and the state could justly claim compensation only for the values

it surrendered. The lands had been offered by the general government at \$1.25 per acre, without finding buyers, but as soon as the lands were granted to the railroad company the minimum price for government as well as railroad lands became \$2.50. More than this they were sure to bring, but only in case the private corporation bring in the road to develop them. That is, from the standpoint of the state in 1851, \$2.50 per acre would have been an outside figure. The grant then represented a gift of 6.5 million dollars; had the state received the same rate of interest upon this as the Illinois Central paid for its other construction funds, would that have been a better bargain for the state than the charter tax ?

Up to 1869, the interest on 6.5 million dollars compounded at 7 per cent., would have amounted to \$16,157,700. The charter tax compounded would have amounted to about \$5,404,400. The difference represents what the state lost up to 1869 by not having exacted an interest payment. Unfavorable as the comparison appears, as we have seen, the Constitutional Convention considered only what the charter tax had contributed to the extinction of the state debt. A change at that time to the prejudice of the road was prohibited by the United States Constitution.<sup>1</sup> So the 7 per cent. tax was not disturbed. Since 1870 the Illinois Central has been able to secure funds at 5 per cent. If we make the supposition of an interest payment, we must reckon interest at current rates. Had the state been receiving 5 per cent. on the 6.5 million dollars since 1869 the total payments up to October 31, 1897, would have been 9.1 million dollars or \$3,615,000 less than the charter tax has yielded. The charter tax continues to yield a yearly revenue of nearly \$300,000 more than the interest charge could yield. Hence we may conclude that the general assembly did wisely in preferring the charter tax to an interest payment.

However, had the road accepted the lands as a loan, with no exemption of the road from general taxation, the interest rate plus the tax rate would have exceeded the charter tax. As seen

<sup>1</sup> See Dartmouth College Decision.

by the table on page 364 the average rate of taxation for the roads in Illinois, exclusive of the Illinois Central, is 5 per cent. of gross earnings. Were the Illinois Central to pay a 5 per cent. gross earnings tax, plus a 5 per cent. interest payment on 6.5 million dollars it would have paid annually since 1890 the equivalent of 8.7 per cent. upon its gross earnings, instead of 7 per cent. as at present.

Had Illinois adopted the system in operation in Connecticut<sup>1</sup> in 1850 and received one third of 1 per cent. on the market value, of the shares in lieu of all other taxes, the road would have paid in 1897, one third of 1 per cent. on \$53,090,625,<sup>2</sup> or \$176,968.75, instead of \$1,051,940.71—a comparison very favorable to the 7 per cent. tax. When added to the \$325,000 interest payment assumed above, the total cost to the road would have been only \$501,968.75, or less than one half the actual annual tax.

(2) We have not made a comparison with probable returns from a net earnings tax. Such a tax would have been difficult to levy. Still at that time (1850), Pennsylvania roads paid a tax on capital and dividends. Such a tax could not have been seriously considered in Illinois in 1851, and no attempt can be made here to compare the charter tax with plans that could not have seemed feasible in 1851.

In the accompanying table, taxes are reduced to percentages of gross earnings; although, in actual practice, every known form of levying is represented, from a tax on the par value of capital stock and debt, as in Connecticut, to a corporation tax and general property tax assessable by state, county, municipality and school district, as in Kentucky.<sup>3</sup> Michigan, Wisconsin, and Minnesota have a gross earnings tax. The rate paid by the original Illinois Central Railroad, *i. e.*, 7 per cent., is taken as the standard, and others expressed in percentages of this rate. Different years have been taken in several instances to indicate how variable is the rate with every tax but the absolute tax on

<sup>1</sup> *Seligman, Essays in Taxation*, p. 155.

<sup>2</sup> Market value of Illinois Central Stock, *Financial and Commercial Chronicle*.

<sup>3</sup> For present methods of taxing railroads see SELIGMAN, *Essays in Taxation*, p. 156 *et seq.*

gross earnings. For example, we find that the Illinois Central system pays 4.76 per cent. taxes in 1897, and only 3.71 per cent. in 1896. In Massachusetts, within three years the rate varies nearly 1 per cent.

TABLE I.

SHOWING THE RATE OF TAXATION OF ROADS OF DIFFERENT SECTIONS AS COMPARED WITH THE ILLINOIS CENTRAL TAX, REDUCED TO A GROSS EARNINGS BASIS.

State Roads	Year	Gross Earnings	Taxes	Rate	Per cent. of 7 per ct. rate.
Illinois Central:					
Main line.....	1896	\$ 8,926,520.00	\$ 624,832.74	7.	100
Main line.....	1897	8,627,883.00	603,951.82	7.	100
Branches .....	1896	19,492,644.00	426,525.26	2.183	31.2
Branches .....	1897	13,483,054.00	448,348.89	3.170	45.3
Whole line.....	1896	22,002,842.00	1,051,358.00	4.780	53.0
Whole line.....	1897	22,110,937.04	1,051,940.71	4.760	68.0
Inclusive Ill. Cent.	1895	69,899,102.00	3,855,761.00	5.51	78.7
Exclusive Ill. Cent.	1895	58,976,788.00	3,074,703.00	5.00	71.4
Connecticut .....	1897	36,353,269.83	1,996,938.23	5.49	78.4
Massachusetts .....	1894	64,128,423.03	3,500,162.18	5.44	77.7
	1895	68,154,906.05	3,527,820.74	5.18	74.0
	1896	74,886,480.00	3,683,390.79	4.48	64.0
New York .....	1896	210,089,592.75	7,781,389.32	3.70	53.0
	1897	204,252,615.41	8,229,479.58	4.03	59.6
Ohio.....	1894	60,140,831.56	2,073,777.45	3.45	49.3
Michigan .....	1891	36,570,389.41	854,334.12	2.34	33.3
	1893	36,719,655.33	811,056.65	2.23	31.9
Kentucky.....	1894	16,939,558.00	474,643.00	2.81	40.1
Iowa.....	1895	35,835,910.47	977,406.27	2.72	38.9
Minnesota.....	1894	30,473,366.00	840,109.48	2.75	39.3
	1895	36,219,000.00	1,009,224.00	2.78	39.7
Wisconsin.....	1893	33,263,551.38	1,373,950.47	4.10	58.6
	1894	28,318,544.09	1,295,999.13	4.50	64.3
Missouri .....	1895	36,003,655.02	1,284,353.14	3.56	50.9

Average rate exclusive of Illinois Central = 4.00 — 57.4 per cent. Computed from Reports of Railroad Commissioners of the different states.

From this table it appears that the average rate of taxation paid by the railroads of the states represented in the table is 4 per cent. of the gross earnings. The eastern states receive larger percentages of the gross earnings of their roads—the western states smaller percentages than the average. But the Connecticut roads pay 5.49 per cent. on earnings of \$15,700

per mile, whereas the Minnesota roads which pay 2.78 per cent., earn but \$6500. The main line of the Illinois Central earns \$12,750, on which it pays 7 per cent. That is, 1 per cent. of gross earnings paid by the Illinois Central represents an earning capacity of \$1835 per mile, while in Minnesota it represents \$2338 per mile, in Connecticut \$2855 per mile. This shows in figures what the percentages reveal, that the tax paid by the main line of the Illinois Central is much greater than that paid by representative roads East and West.

The table shows this excess to be 3 per cent., although compared with other roads within the same state the actual charter tax is 2 per cent. of the gross earnings. This payment is equivalent to about 2.61 per cent. on the principal represented by the land grant—an annual tribute of \$170,000. Notwithstanding this charter tax, the Illinois Central *system* paid, in 1896 and 1897,<sup>1</sup> but three-fourths of 1 per cent. above the average. Recalling now the advantage to the road up to 1869 in having paid a charter tax of 7 per cent. on gross earnings rather than an interest tax of 7 per cent. on the value of the lands when granted, we see that at present rates it will be impossible for the road to liquidate this constructive balance against it. Its gain up to 1869 was \$10,753,300; which, compounded up to October 31, 1897, was 27 million dollars in excess of what the road has actually paid. That is to say, although the Illinois Central has extinguished the state debt and contributes very largely to the support of the state government, it is actually debtor to the state in the amount of 27 million dollars *plus* the taxes which the road must have paid had it been treated as a borrower from the state and held subject to the same obligation to pay taxes as other private railroads in the state.

From the standpoint of the state, however, as said before, the obligation had already been discharged in 1856, before the charter tax began to replenish the treasury. The state has reaped a thousandfold in return for the donation of land. The charter tax is clear gain. Other states have given away public

<sup>1</sup> See Table II. p. 366.

lands to aid in constructing railroads, and have nothing in return but the facilities offered by the roads and the consequent enhancement of values. Michigan helped to build 1005 miles of road, Minnesota 2389, Iowa 1672; but these states receive only 2.23, 2.78, and 2.72 per cent. of the gross earnings, whereas, Illinois, for her gift sufficient to build 706 miles, receives 7 per cent. She has already received millions more than she would have received had she adopted the policy pursued by neighbor states, and she has an interest in the 706 miles she helped construct of over \$4,250,000, besides the sovereign right to tax 5 per cent. on gross earnings for the support of the state government.

TABLE II.

SHOWING THE GROSS EARNINGS, TAXES PAID, AND RATE OF TAX  
UPON GROSS EARNINGS PAID BY THE ILLINOIS  
CENTRAL SYSTEM SINCE 1875.

Year.	Gross Earnings.	Taxes.	Rate.
1875	\$ 7,802,556	\$ 439,100 <sup>1</sup>	5.63
1876	7,040,969	424,563	6.03
1877	6,639,845	382,947	5.73
1878	7,111,184	392,190	5.48
1879	7,234,464	395,010	5.32
1880	8,304,812	444,126	5.35
1881	8,586,397	465,351	5.42
1882	8,905,312	484,850	5.44
1883	13,064,743	559,980	4.29
1884	12,190,833	545,969	4.48
1885	12,621,264	556,074	4.40
1886	12,529,493	575,459	4.58
1887	13,546,287	646,875	4.77
1888	11,822,477	607,263	5.14
1889	14,655,617	648,739	4.43
1890	16,452,022	709,332	4.91
1891	17,881,555	870,680	4.87
1892	19,291,760	928,245	4.81
1893	20,095,191	1,024,896	5.10
1894	20,657,464	1,074,759	5.20
1895	19,056,994	973,919	5.11
1896	22,002,842	1,051,358	4.78
1897	22,110,937	1,051,941	4.76

<sup>1</sup> 1875-1893, from POOR'S *Railway Manual*, 1894-1897, from "Reports to Stockholders of Illinois Central Railroad."

In conclusion, the Charter Tax of the Illinois Central Railroad is at present about 2 per cent. of the gross earnings of its main line. This \$170,000 payment is that much greater than what roads similarly helped by other states are compelled to pay; it is, however, less than half the amount the road could afford to pay today for the assistance given by the state in 1851. The road must ever be indebted to the state, and yet the state must, at the same time, feel itself indebted to the road. To do away with the charter tax would be but a recognition on the part of the state that it had been fully paid for its grant of lands that had cost it nothing. To consider the tax as an annuity, to endure as long as the Illinois Central Railroad endures, is but to remind the railroad that in 1851 it obtained a "bargain;" in paying this extra charge it is paying not merely what is due the state by contract, but what the special advantages it enjoys enables it to pay to those who placed it in this position of advantage. Irrevocable as this provision is, it can be easily seen that in the future, when the western roads shall be able to run at a less proportionate expense, the 2 per cent. discrimination against the main line of the Illinois Central may seriously handicap that road and compel it to recoup itself at the expense of the state through which it passes.

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